Implementing strategic projects to provide business value

The current economic landscape in the United States and around the world has required companies to stop wasting precious budget and resources on poorly performing strategy execution efforts. This means that from the earliest project planning stages to implementation and support, project initiatives must be managed to enable companies to succeed.

A key success factor for any company is the ability to deliver its goods and services to customers. Whether it is a for-profit manufacturer, a nonprofit services provider or a government entity, organizations need to find ways to provide value.

As companies are being forced to provide their goods and services more effectively, they begin to realize that changes to existing strategies, processes, products and systems need to occur. Delivery of successful projects tied to strategic changes has become critical to the very survival of many companies. No longer can projects be allowed to "run over a little bit" or "wait until future phases" to deliver critical functionality.

It is critical to examine not only individual project attributes, but the overall context in which they exist. Projects do not exist in a vacuum — they are influenced by and influence other projects and stakeholders. Companies must balance short-term costs with longer-term project and program efficiencies. Taking an extreme point of view of either perspective can have unintended consequences. This white paper guides you through a framework to help you make these important decisions. It is organized as follows:

- How to clearly demonstrate projects are tied to strategic goals
- Factors common to prioritization of ineffective projects
- Early warning signs of poorly prioritized projects
- The costs of poorly prioritized projects
- Timely evaluation of project effectiveness

How to clearly demonstrate projects are tied to strategic goals

Initially, one of the most difficult challenges for an organization is prioritizing projects. In some organizations there are even problems agreeing on a definition of what constitutes a project. Projects are an investment of precious budget and resources by the organization and represent opportunity costs on how that investment is being spent. Even a project that is performing well is not of value if it does not further the company goals. Also, if the project is taking resources from a competing, higher-priority project, it represents a doubly poor investment by the organization. Unfortunately, this scenario can happen all too often because most organizations do not have the ability to effectively track and manage projects at the program level, ensuring that they are consistently supporting the company's strategic goals. Questions to ask that can help you identify projects grouped into this category include:

- Do you have project charters that are not linked to clearly defined strategic goals? Do all project team members know what is in the charter?
- Do you have "pet" projects that occur even though they do not have formal approval or a charter?
- Do you have support projects listed as "operational support activities," thus bypassing normal budgeting and resource planning?
- Do you have older projects that were initiated prior to the current strategic goals?

Project team members and managers are frequently reluctant to voice the idea that their project may not be of value for fear of being moved off and possibly let go. However, identifying and, if necessary, cancelling these projects and re-allocating resources to higher-priority projects is critical to proper program and portfolio management.

Factors common to prioritization of ineffective projects

Research by independent organizations such as the Standish Group — authors of the Project Status Chaos Report — point to a consistent array of factors common to ineffective or poorly performing projects. While these are common across industries, many in senior management do not know how to effectively identify or address these in a meaningful fashion.

Being able to recognize and correct the following common project risks is a major challenge to senior management, owners and the board of directors. Quite simply, the future existence of the company may depend on it.

- An incorrect business case
- An inability to clearly articulate the goals of the project and how they relate to the overall company strategic direction
- A poorly defined scope or charter
- An inability to define and meet a published schedule/timeline
- Mismanagement of competing program/project needs
- Inadequate project manager expertise

Early warning signs of poorly prioritized projects

Within the early phases of a project, much of the project team already has a good idea of the likelihood of the long-term success or failure of the project. These "feelings" regarding project performance are often consistent with early warning signs as:

- Constantly changing scope or requirements definition.
- Inability to adapt and incorporate required project changes.
- Early project milestone schedule misses.
- Project team members being moved to competing priorities.
- Earned value which shows lack of adequate tracking of actual costs vs. budgeted costs.
- Confusing, incomplete or missing communication regarding status of the project. Per the Standish Group, only 14% of project leaders effectively communicate regarding project status.

Early detection and correction of these issues can mean the difference between selecting and implementing a successful project and having a project that continues to be a drain on critical organization resources. While these actions may be difficult, employers still need to evaluate alternatives and priorities to enable quick execution and a time-phased action plan. It is said that "No battle plan survives contact with the enemy." Similarly, project requirements and project plans inevitably change once project execution has started. This forces companies to further develop vigilance and nimbleness to identify and adapt to changing project requirements as they occur. Once management goes beyond the individual project level, the next phase or approach is typically more strategic and comprehensive in looking at all projects collectively (i.e., a program or portfolio level).

The costs of poorly prioritized projects

The Standish Group Chaos Report estimates that only about one-third of projects meet the success criteria of on-time, on-budget and with acceptable functionality. Research by other groups reports similar numbers.

With that in mind, even modest improvements in the success of project prioritization and project delivery can provide large dividends to companies willing to invest the time and resources necessary to achieve those gains. In addition to the obvious monetary losses to project failures, the following are also frequent costs:

- Decreased employee morale
- Decreased effectiveness of competing projects
- Increased risk of competitor dominance
- Increased employee turnover
- Impact to the organization's surrounding community

When a project fails, the team's morale is damaged 73 percent of the time on average. This can lead to skepticism about future projects, as well as company direction. Increasingly, this can lead to higher employee turnover due to the perceived stress of the position and, in some cases, downturns in the surrounding community depending on the size of the organization.

Timely evaluation of project effectiveness

Not every company will fail because it has poor project prioritization and project execution. However, especially in today's economy, every company can benefit from improvements in its project and program management prioritization. Also, not all projects can be made to run perfectly. Instead, the key to improving is establishing a process for prioritizing the correct projects the company should pursue, and then identifying and tracking the proper attributes to measure for success. Once a project has been appropriately prioritized, the company needs to establish a process for the clear, concise assessment of projects early in their execution. This allows the proper corrective actions to be taken on a project before it strays too far. Also, a key to improvement is extrapolating the common attributes from individual projects which can be improved at a program level. This activity is called a Project Execution Assessment (or project assessment for short).

The common project success attributes measured as part of this process can be grouped into three categories:

- Project scope assessment
- Project metrics and tools assessment
- Program level impact assessment

Project success attributes within these categories exist such as quality planning, requirements capture and project manager expertise. These attributes can be objectively evaluated and ranked using focused project interviews and project document reviews as part of the project assessment. A summary of these attributes can then be used to quickly target those areas of a project that are doing well and areas needing improvement.

By providing a common measurement, the project assessment method can also identify those attributes that are having issues across projects. These areas provide opportunities for improvement across the program and potential for even further savings to the company. Also, the project success attributes measured as part of the assessment are independent of such measures as Earned Value, CPI and others. This is because not all companies have the capabilities to support such tools and implementing them does not typically provide immediate value.

Conclusion

In the face of increasing globalization and competition, which companies survive and prosper in the coming years in large part will depend on how well they deploy their existing tools and resources.

Striking a balance between competing projects and competing project priorities can be quite difficult when it comes to identifying the most cost-effective returns. Once that decision has been made, failure to deliver onthe project results in a loss of not only direct project costs, but also the opportunity cost of not implementing a competing project.

Therefore, to best survive today's tough economy, companies now more than ever need to be able to deliver on their planned projects. Early detection and evaluation of potential project failures provides the surest route to corrective actions and improving project outcomes.

A project execution assessment can provide important information regarding project issues and opportunities for improvement. By providing a common measurement template, it can identify program-level opportunities for improvement. Also, a project execution assessment process can provide a valuable complement to other project evaluation tools your company may be using.

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